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NEWS

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The Pulse of the Health, Racquet & Sports Club Business



Gold's Gym Investments, Inc. Leaders

*(Standing left to right) Ed Connors and Jeff Skeen
and (seated left to right) Kirk Galiani and John Galiani*

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NEWS

The Pulse of the Health, Racquet & Sports Club Business

Gold's Gym Investments Acquires Gold's Gym Enterprises, Inc. And The 'G' Group

By Norm Cates, Jr.

Just like the big jets lined up on final approach to land at Atlanta's huge Hartsfield International Airport, the big deals in the global health club consolidation movement just keep on rolling in. Last month we reported on the Bally Total Fitness acquisition of The Sports Clubs of Canada. And, we gave you a brief preview of two major deals that were 'News On the

Edge': The sale of Gold's Gym Enterprises, Inc. to an investment group and the merger of the Q Clubs into the rapidly expanding 24 Hour Fitness chain.

On August 24th, Gold's Gym Enterprises, Inc. and the Group of 8 Gold's Gyms in the Washington, D.C. area were acquired in simultaneous transactions by Gold's Gym Investments, Inc. Gold's Gym Investments, Inc. (GGI) is a partnership between Brockway Moran & Partners, a \$200-million private eq-

uity firm, a majority partner in GGI, Inc.

Gold's Gym has long been the premier licensed health club group, far outclassing and outnumbering other such competitors. And, the new Gold's Gym Investments plan for expansion should allow Gold's to continue to dominate the gym licensing segment of the industry as well as continuing to be a top competitor in all segments of the commercial health club business.

The Gold's Gym chain

was founded in 1965 by Joe Gold in Venice, California. That facility, now known throughout the industry as 'The Mecca of Bodybuilding', still stands a couple of miles from famous "Muscle Beach." Over the 35 years since then, Gold's Gyms have grown to become not only the largest, but the most recognized fitness brand in the world with 534 locations and over 2 million members in 47 states and 24 countries. To describe the chain as the 'giant' of the industry would not be

an exaggeration.

'Musclehead' Days Become A Part of Gold's History!

While Gold's Gyms began as a 'Mecca' primarily frequented by bodybuilders, those days of just being a free weight gym attracting only people interested in heavy-duty weight training are long gone. The Gold's Gym chain has very successfully tra-
(See *Gold's Gym* page 6)

Caro And Brentwood Launch Health Club Consolidation Creating Market Leading Company

New York, NY — Aug. 31, 1999 — Rick Caro, President of New York's Management Vision, Inc. and the Los Angeles-based investment firm of Brentwood Associates have launched a new company, Racquetball and Fitness Clubs, Inc. (RFC). It is targeted to pursue a growth build-up of existing clusters of health clubs. Through acquisitions and new builds, local club groups will accelerate their growth pace by increasing their access to capital and best practices management support. Its goal is to become the most respected and profitable fit-

ness club operator in the U.S. Caro is the Chairman of the Board of RFC.

The Racquetball and Fitness Clubs of San Antonio, the leading club company in its market, is the first under the new RFC banner.

Long-Term Dream Realized

Caro, who co-founded the International Health, Racquet and Sports Club Association (IHRSA), first discussed consolidation possibilities for the frag-

mented commercial health club industry with Wall Street sources more than 15 years ago and again visited the concept with Oklahoma City's Innovative Partners, a growth strategy consulting firm, in 1996. Caro sought to identify the ideal partner with a similar set of goals and a commitment to the club industry. He continued to communicate his concept with a select core of potential club groups.

Brentwood, A Logical Partner

Brentwood Associates had been conducting exhaustive research and concluded that the club industry was an attractive investment opportunity. Brentwood met Caro and determined they shared the same philosophy and perspective. A partnership was created.

Brentwood has a long history of successful consolidation management in more than a dozen industries. It has invested in several related industries pre-

viously, including fitness (Club Industry magazine and trade shows), tennis (Prince Manufacturing), racquetball (Ektelon Sports) and bicycle helmets (Bell Sports).

Brentwood's most recent limited partnership was formed in 1999 with more than \$500 million in commitments. Since 1984, the company has completed 175 acquisitions to build 21 portfolio companies capitalized with \$510 million of limited partnership equity. Brentwood has generated a gross annual internal rate of return of 68 percent.



Rick Caro

Targeted Club Clusters

The club industry is highly fragmented with over 15,000 commercial facilities in

the U.S. today. The great majority are family-owned or controlled by a small investor group with often three or fewer locations. The RFC model targets existing club clusters with strong presence in a local market.
(See *Caro & Brentwood* page 7)

Inside The Insider

- IHRSA's New Industry Thrust
- The Organization Of The Future
- Good News - Bad Moves
- YMCA Attacks IHRSA's Web Page
- Is It Time You Used An Executive Search Company?

IHRSA's New Industry Thrust Focuses On Government Relations

*An Interview With
IHRSA's Helen Durkin*

By Norm Cates, Jr.

IHRSA, The International Health, Racquet and Sportsclub Association's Board of Directors recently announced a change in the 18-year old Association's Mission Statement. That new Mission Statement says: "The Mission of IHRSA is to grow, protect and promote the industry, and to provide its members with benefits that will help them be more successful."

The Association has also decided to begin to provide some of its government relations benefits to non-IHRSA members in an effort to create an industry-wide force for health, racquet and sportsclubs in the political and unfair competition arenas. This part of the new IHRSA thrust is intended to aid and work in tandem with the Association's "100 Million By 2010" initiative announced at the 1999 IHRSA Convention and Trade Show in San Diego, California. The thrust is also intended to emphasize that the club industry at large, IHRSA member or not, really needs to start paying attention to the political side of the business and should realize that IHRSA is there to make sure that it happens.

Since 1981 IHRSA has fa-

cilitated more change and professionalization in the health, racquet and sportsclub industry than any other entity in the world. Simply put, were it not for IHRSA and the great work done by the many members of the IHRSA Board of Directors, IHRSA Staff, IHRSA Committee Members and Associate Members, the industry would be far from where it is today.

Over the years, this writer has been consistently amazed when I have the opportunity to speak with club owners whose clubs are not IHRSA members. I am amazed because IHRSA membership for your club is the SINGLE MOST IMPORTANT INVESTMENT YOU CAN MAKE to improve your club and your BOTTOM LINE.

The IHRSA list of benefits is truly amazing and will provide the astute club owner/manager with many opportunities each year to gain ground in the increasingly competitive health club world. Moreover, the IHRSA club that participates fully in the educational and motivational opportunities that IHRSA provides will receive a return on their financial and time investment far, far exceeding what they put in. In other words, if you own and operate a commercial, for-

profit health club and your club is not a member of IHRSA, you are missing out on the single greatest opportunity in the world to advance your club and prepare for the existing competition and the competition that will some day come to your market.

Government Relations A Key IHRSA Benefit

One of the greatest benefits of IHRSA Membership is the work being done by IHRSA in world of Government Relations. Clearly, IHRSA leads the industry in this area and has accumulated a tremendous portfolio to fight for fair competition and appropriate governmental legislation on behalf of the IHRSA Members.

When your club joins IHRSA, you receive immediate access to the following important tools in the area of Government Relations:

- (1) IHRSA's Fair Competition Manual On CD-ROM.
- (2) Video tape on Unfair Competition entitled; "Feeling the Burn."
- (3) The Fair Competition Handbook.... A blueprint for effective club action.
- (4) The Case for Fair Competition in the Fitness Industry.
- (5) A document package containing: *IHRSA's Fair Competition Checklist, *Nonprofit Expansion & Impact * Response To Frequently Asked Questions on Tax-exempt Health Clubs * IHRSA's Position Paper on Fair Competition In The 90's *Profile of State Unfair Competition Cases * College & University UBIT Fact Sheet * Cost Advantage Comparison: Tax-exempt Vs For-profit Facilities *Comparison of Health & Fitness Facilities By Legal & Tax Status *
- (6) Briefing Paper: Summary of Health & Fitness Issues.
- (7) Waivers & Releases For The Health & Fitness Club Industry... A 50-State Guide
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(10) Unfair Competition from Tax-Exempt Organizations- An IHRSA Position Paper

(11) IHRSA Government Relations Report- June, 1999- Updates On State Activity

(12) IHRSA PAC- Political Action Committee - Brochure

Gale Landers, current IHRSA President comments on the new IHRSA Government Relations thrust to the industry, "A government relations focus is essential if IHRSA is going to succeed in its mission to 'grow, protect and promote' the entire club industry. If we want legislators, regulatory agencies and the media to take us seriously, we need to be politically active."

An Interview With Helen Durkin-IHRSA's Director of Public Policy

Q. Helen how did you start working with IHRSA's Governmental Relations?

A. "When I started about 10 years ago, I think I was given the job because of the insistence of a very vocal minority. They were strong individuals, but they always felt like they were swimming up-stream on the fair competition issue and on the politics issue for the industry. I think in some ways this emphasis that IHRSA is putting on it today and really the industry focus, really started with people like Frank Eisenzimmer, Dick Trant and Alan Schwartz, who were really strong on these issues. One thing that is so important to realize is that this movement began with a minority but it has grown to be really a strong voice, especially amongst the leadership of IHRSA."

Q. What are some of the greatest challenges you face in your job?

A. "Sometimes I tell the Board that I often feel like I'm fac-



Helen Durkin

ing some of the challenges that they feel when they are trying to get the deconditioned market into their club. In a lot of ways I think this is an industry whose owners may be politically deconditioned. They are not used to thinking politically. They are not used to thinking that they can make changes in city hall. Often times it takes real anger to get past that 'Oh, I'm not a political person. It's very much tied to the 'doing positive things' mentality in the industry. The desire to really make a difference. It is hard for people with the perception of politics today to want to get into it. They're in the business they are in to be positive, not be negative. So, I think one of the challenges is really getting people to realize that as the industry continues to grow, this legal and legislative stuff isn't just a pain in the neck. It is increasingly the way that business will have to be done. [Even though it will remain a pain in the neck.] It is taking its place in that whether they like it or not, you must factor in those issues."

Q. Could you give us an example of what you mean?

A. "A tangible example is in New Hampshire where one of the club owners learned at 10:00 a.m. one morning that the State Legislature was going to impose a 5% sales tax on health club memberships. The New Hampshire clubs had been somewhat active because they had been working on a consumer protection bill. Working with IHRSA's Jay Ablondi, (See Helen Durkin page 13)

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• NORM'S NOTES •

Well folks, we've got two great stories about big events in the club industry this month. The **GALIANI BROTHERS, KIRK and JOHN**, have teamed up with the **BROCKWAY MORAN** Corporation, a \$200-million equity fund, to buy **Gold's Gym Enterprises, Inc.** This is a terrific story about the biggest health club organization in the world and I think you will enjoy reading all about it. Good luck to **KIRK AND JOHN GALIANI**, Brockway Moran & Associates, **JEFF SKEEN, BRUCE EBEL, ED CONNORS, TIM KIMBER and RICH GRYM-KOWSKI** as they embark on what surely will become a huge story of club industry growth and acquisitions!

•**RICK CARO**, my good friend, has partnered with Los Angeles based, **BRENTWOOD ASSOCIATES** to put together a new company, **Racquetball and Fitness Clubs, Inc.** that will become the next major national player in the club business. Rick's plan is to acquire clusters of clubs in major markets around the country combining the groups into a national chain of upscale multipurpose clubs. Check out the story on page #3. On a personal note, I have been friends with Rick Caro for 21 years now. First meeting and serving on the **National Court Club Association Board** with him in 1978 and then working together to Co-Found **IHRSA** with a team of friends in the industry. IHRSA has done an awful lot to change and improve our industry and it was all Rick's idea. Since the creation of IHRSA in 1981 Rick has served on the Association's Board of Directors, served as President, served on countless committees, still serves on the Advisory Board and has shepherded the Association for 18+ years now. Rick is President of New York based, **Management Vision, Inc.** and will be winding down his highly successful consulting company while he cranks up his new company. In my mind, Rick Caro is one of two individuals in the world that have done more to advance the club industry than anybody else. The other fellow that is right alongside Rick in that regard is **JOHN MCCARTHY** who made these comments about our friend, "Rick is the best network guy in the world-wide industry without question. He is a master networker, both personally and professionally." Beyond Rick's work with IHRSA and the club industry, Rick has unselfishly given his time and energy to causes that many don't even know about, such as the organization he created 30 years ago in New York City, the **Urban Business Assistance Corporation (UBAC)**, which provides assistance to minorities in starting up new entrepreneurial businesses. Rick is just like that Energizer Bunny! He just

keeps on going and going and going! It is my great pleasure to congratulate Rick Caro and his new partner, **DAVID WONG** and to wish them the best of luck as they embark on their great adventure!

•Speaking of **GREAT GUYS!** Congratulations and best of luck wishes also to **BRUCE and DANA HENDIN** as theirs have been the first group of clubs to join Rick and David's new company. **Bruce's Racquetball and Fitness Clubs of San Antonio** have been in business for 25 years and simply put, dominate that market. Bruce is clearly one of the top club operators in the world and will make a terrific partner as President of the Texas region.

•Congratulations to The Finalists of **CLUB INDUSTRY Magazine's Distinguished Business Woman's Awards**. Sponsored by **Life Fitness** and created by **KAREN WOODARD and JANET LOSSICK**, the Awards are given each year at the annual **Chicago Club Industry Conference and Trade Show**. The finalists are: Business Woman of the Year: **GERALDINE AUGUSTINE, DEBBIE EISENZIMMER and JULIA WHEATLEY**; Entrepreneur of the Year: **MARY ALBRECHT, CHRISTINE DENOVELLE and CINDY JOHNSON**; and Industry Enhancement Award: **STACY FOWLER, KATHY IORIO and KAY YUSPEH**. We'll have a report on the winners next month. Don't miss the **CLUB INDUSTRY Convention and Trade Show** in Chicago, October 13-16th!

•Best of luck to **CHRISTY WESTROM**, Marketing Director for **Australian Body Works and Cardio Theater**, as she is training to run the October 23rd - 26.2 mile Marathon in Victoria, British Columbia to raise funds for **Habitat For Humanity**. The organization builds homes for underprivileged families in need across America. Championed by **PRESIDENT JIMMY CARTER**

and his wife **ROSALYN**, the organization has just built its 500th home in the Metropolitan Atlanta area. Christy is "**Running For Humanity**" with a Team called: "**Team Spirit**." I'm sending a small donation and I welcome you to do so to help Christy reach her goal of \$3,800. Send your check payable to Running for Humanity, c/o Christy Westrom, Australian Body Works, 6331 Roswell Rd. Atlanta, GA. 30328.

•**MACMA**, The Mid-Atlantic Club Management Association (MACMA) held their Annual Conference and Trade Show in Baltimore, MD. The 1999/2000 MACMA Board of Directors were elected. **JOEL SCHLOSSBERG** succeeded **FRANK GUENGERICH** as President. **PETE BAZZELL, PETER GRYZBINSKI, NANCY HAFFORD, BILL McBRIDE, ALAN VEENENDAAL and JULIA WHEATLEY** were elected to the Board of Directors for the Association. **CONGRATULATIONS** to all!

•**Canyon Ranch**, an IHRSA Member, was named "**World's Best Spa**" by **Travel & Leisure Magazine**. Sure would love to do a special "on-the-scene" story on that place, because I had heard it was terrific for years!

•Great to see the news that the number of U.S. health clubs grew 7% from 14,100 to 15,125 facilities for the period ending July, 1999. The figure represents the largest increase in the number of clubs since the 1980's!

•**Bally Total Fitness** stock was just a hair under 33 at press time. What a job **Lee Hillman** and his **Executive Team** have been doing as the stock was at 4 when he took the helm at BTF. Also, the list of initiatives that Bally is introducing keeps on getting longer and longer! BTF just announced a 3-year, \$1 million media distribution agreement with **Distributech**, to distribute ad circulars, targeted vertical publications and promotional materials to Bally's approximately 4 million members. And, BTF has entered into

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two new Internet Service Offerings with Internet companies **eFit and Visto**. Under the agreements BTF will custom-tailor programs and information to individual members via the Internet. BTF has collected 50,000 e-mail addresses from individuals desiring the service and is collecting e-mail addresses at the rate of about 10,000 per week now. For several years BTF has been successfully marketing memberships over the Internet. Also, BTF announced an agreement with **Therapeutic Associates**, the largest therapist-owned provider of outpatient physical therapy services in the Northwest to open outpatient rehab centers in Bally's Seattle/Tacoma area fitness centers. They expect to have 6 rehab centers open by the end of 2000. Whew, just one more bit of news from BTF. Two years ago, BTF entered into an agreement with **TIME Incorporated** for exclusive distribution of selected magazines to members in BTF centers across the country. Now, they have signed a new deal to expand the arrangement for two more years. Both parties are happy and so are the members.

•Don't forget to make plans to attend the **1999 IHRSA Club Business Conference** December 1-4th in Orlando. And, **DO NOT MISS the 19th Annual IHRSA Convention and Trade Show** in San Francisco, March 23-26th! The IHRSA Convention is simply the single greatest club industry get together every year. For information call IHRSA at: (800) 228-4772.

•**IHRSA's JAY ABLONDI** has been named the **Director of Government Relations** for the Association and **HELEN DURKIN**,

has been named **Director of Public Policy**. Says **JOHN MCCARTHY** of Helen, "On any issue, Helen Durkin is a formidable talent. I have learned never to underestimate her strategic and tactical tenacity."

•I had not heard from **JIM EVANS**, a 33-year veteran of the health club business, for awhile until a couple of days ago. Jim, who has written for **The CLUB INSIDER News** in the past, informed me that he is now working at the former Naval Training Center in Point Loma (San Diego) California. The complex is huge (on 546 acres) and has a line-up of facilities and services that is incredible. The club, called **The Peninsula Athletic Club** has enrolled 2,600 members since their Grand Opening in February, 1998, has been chosen as a semi-finalist for the prestigious **Arthur Anderson Best Practices Award** for 1999 and was nominated for the upcoming **Better Business Bureau Torch Award** for marketplace ethics! Great news Jim.....tell us more!

•**MIKE MYERS** has sold his **Old Town Athletic Club** to **Sports & Health**.

•**STEVE PATERSON** of **Worldwide Fitness** tells me that **ZACH LIGHT** has been promoted to 'Senior Sales Rep,' **LINDA ASHFORD** to 'National Dealer Sales Support' and **SCOTT CHESTER** to 'Website Sales.'

•**TERRY BLACHEK** has left the **Fitness Company** and has joined **Crunch Fitness**.

•Don't forget to attend the **CLUB INDUSTRY Conference and Trade Show** in Chicago, October 13-16th. I'll be visiting with friends at my **Booth #174**. Please stop by and say hi and let me know about what you are doing in this great industry. Hope to see you there!

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...Gold's Gym

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versed from a market identity of being a place where only body-builders go to a place where people from all walks of life work out. Gold's Gyms everywhere have upgraded the quality of their facilities, equipment and services and changed their market identity and target markets to appeal to a broad segment of the consumer population including women, seniors and all demographic segments in between.

Attracting New Blood

Along the way, the Gold's new market identity, world-class brand name and quality has begun to appeal to and attract mainstream multi-purpose club owners such as Gordon Johnson and J.D. Holmes in the Atlanta area. Johnson and Holmes opted to convert their long standing, well-established clubs to Gold's licensees and are having great success after those transitions. Recently, Johnson was honored as the winner of Gold's Gym's "Mr. G." Award and Holmes received the 'Conversion Gym of the Year Award' last Summer at the annual Gold's Gym Convention in Las Vegas.

Tough Pre-Qualification and Operational Standards

The Gold's Gym licensees must meet certain qualification standards to be brought into the program. The standard requirements include stringent financial pre-qualification, savvy business acumen and a high ethical philosophy of business. Once a Gold's Gym is in business and up and running, it must continue to perform up to standards and is subjected to annual quality control inspections. Failure to correct problems cited in the inspection to reach compliance can result in a termination of the Gold's franchise and a removal of the valuable Gold's brand name from the facility. And, these folks are not kidding around when it comes to enforcement of their standards! Over the past five years, on average, 30 gyms per year that failed to comply with those high standards have had their Gold's Gym franchise pulled and the Gold's name removed from their business! Among other things, the tough financial pre-qualification and the rigorous compliance enforcement of the Gold's Gym operating standards set the Gold's Gym franchises apart from their competitors. And, by

properly financially pre-qualifying the Gold's Gym franchisees, they have largely avoided the gym closings in the middle of the night that have plagued the reputation of the industry. The cleanliness and maintenance standards, as well as the Gold's membership pricing philosophy, has appealed to the clientele they have sought.

The Health Club Industry Is On A Roll With Big Money

This deal follows on the heels of several big-money entries into the health club business in North America and the United Kingdom. Evidence that the club industry is on a roll and poised for huge growth is everywhere. The fact that big money has stepped into the health club business is clearly illustrated by the success stories of Bally Total Fitness, 24 Hour Fitness (Fitness Holdings), Town Sports International (TSI) and Club Sports International (CSI). The Gold's Gym Investments acquisition and the new Caro-Brentwood Associates deal (see story on page #3) are continuing the action. Other indicators that the industry is on a roll are the recent statistics released by the Better Business Bureau reflecting the huge reduction of consumer complaints on health clubs (down 92%) and the recent club growth statistics stating that there are now 15,125 commercial health clubs in the U.S.

Gold's Gym Investments and Brockway Moran Aligned With Major Capital Sources

Along with equity capital from Brockway Moran and Partners, the 'Big Money' financing the transaction for Brockway Moran and Partners was provided by Heller Financial, a Chicago based commercial finance company. Heller is a leading provider of lending facilities for rapidly growing acquisition companies. Other Brockway Moran investors include: Goldman, Sachs & Co., Brinson Partners, PPM Worldwide, General Electric Capital and Donaldson, Lufkin and Jenrette.

Peter C. Brockway, Managing Partner of Brockway Moran, comments, "Gold's Gym is clearly the most recognized fitness chain in the world. With the aggressive leadership of the Galiani brothers, in combination with the experienced and able ex-

ecutives from Gold's in Venice, we are poised for significant growth which we are prepared to back with our capital." The Galiani brothers were advised by PricewaterhouseCoopers Securities LLC, a wholly owned investment banking and financial subsidiary of PricewaterhouseCoopers, LLP.

Kirk and John Galiani Excited About Prospects For The Future

We spoke with Kirk and John Galiani, 9-year veteran Gold's Gym owners in the Washington, D.C. area, and asked them to share the primary reasons they had decided to go into the club business as Gold's Gym operators? Kirk commented, "I think the Gold's name gives you instant credibility that you wouldn't otherwise have. John Galiani added, "The example I give is that if I was going to start producing a cola, I would love to put Coca Cola on it instead of John's Cola. I think there is a lot of value in that and when somebody goes in to pick up cola they are going to know what they are getting with Coca Cola." Kirk added, "That [excellent brand name recognition] usually puts Gold's on the shopping list. We're not saying that Gold's is going to get every member, but we feel that we are on most people's shopping list when considering health clubs which means that they will come in and at least look at our club. That's what we want because once they do, we will sign up 50% of them."

IHRSA'S John McCarthy Comments

Since many Gold's Gyms are also members of The International Health, Racquet and Sportsclub Association (IHRSA), we spoke with IHRSA Executive Director, John McCarthy to hear his thoughts on this huge transaction by the Galiani brothers and Brockway Moran. John commented, "I think that Kirk and John represent the next generation of leaders in the health club industry. They are in their early 30s and they have been incredibly successful in developing one of the strongest groups of Gold's Gyms in the country. The really amazing thing is that here they are 34 and 32, respectively, and they are the Chief Executive Officer and Chief Operating Officer of Gold's Gym Investors which is now the largest network of clubs in the world. I think it

means that we are beginning to witness a generation shift of leadership in the industry. Most of the leaders of the industry have been in their late 40s and 50s and here we see something new!"

How The Deal Began

Kirk Galiani explains how the transaction was conceived, "Ed Connors, formerly with Gold's Gym Enterprises, Inc., saw this coming 4 years ago when Bally Total Fitness and the Sports Club Company went public. 24 Hour Fitness (Fitness Holdings, Inc.) was also beginning to attract investment capital, as was Town Sports International (TSI). Ed knew that Gold's Gym Enterprises, Inc. didn't have access to capital to take Gold's Gym to the next level. He and his partners, Pete Grymkowski and Tim Kimber felt it was time to bring in some new blood to help advance Gold's Gym. Brockway Moran has given us a lot of support. We have a lot of history at Gold's Gym. We have a lot of good ideas and a lot of good operators that will come on board and help grow along with us. It feels great to be running the largest gym chain in the world."

Gold's Gym Investment Ownership

We asked the Galiani brothers about the ownership stakes in the new Gold's Gym Investors. Kirk Galiani told us that Brockway Moran & Associates is the majority partner in the transaction and he and his brother hold the largest block of non-majority stock. Kirk also mentioned that their partners in the 'G' Group, Jeff Skeen and Bruce Ebel, continue to hold equity interests along with Ed Connors, Tim Kimber and Pete Grymkowski formerly with Gold's Gym Enterprises, Inc. He also told us that that Ed Connors, has been made President of Gold's Gym Franchising, Inc., Tim Kimber, President of the Venice location, Jeff Skeen, Chief Information Officer and Bruce Ebel will work with some of the national accounts. John Galiani added, "When you put the best brand name in the industry with strong financial backing and a great operating team you have a great combination for the future that is hard to beat." Kirk added, "What we've also seen over the last two years is that there is a huge momentum among over 100 Gold's Gym owners that want to be involved in ownership and growing this company by either

selling their clubs or coming on as partners."

Not Necessary To Go Public

We asked the Galiani's if taking the new Gold's Gym Investments public was in the cards and Kirk replied, "We definitely could go public; but it has to be in the best interests of the company to do so." John added, "I think the nice thing here is that we don't need to go public to have access to capital. We have access to capital for all of our growth needs. Going public is not a necessary step. If it becomes the best step, we will take it. But, I think the powerful thing is being teamed up with Brockway Moran and having Heller Financial as our lender puts us in an excellent position for growth. We are going to have access to the money we need to rise to the next level."

Growing An Industry Giant

Kirk Galiani, explains the plans for future growth "We intend not only to expand our franchising efforts but also to purchase many existing fitness centers to expand our corporate-owned facilities. In combination with increasing our strategic alliances and licensing the Gold's Gym name, we expect to expand further the presence of this leading brand. We feel that in the next five years we will be over 1,000 franchises. We also feel that because of the competitive and consolidating market that we are in now, many independent club owners may find a need to associate themselves with a brand. I think that if you are going to pick a brand, Gold's Gym is the best brand out there. You are going to need the advertising support of all of the clubs. You are going to need the name recognition. And, you are going to need the purchasing power that we have by having so many clubs. So if you are out there alone in this consolidating market, I see trouble. You have a lot of large companies that are very well financed. I believe that we will see a huge influx of non-Gold's clubs becoming Gold's Gyms in the future, especially with all the new programs we are going to be introducing for our licensees as we go forward. We feel that within five years we could be double the size of the next biggest chain. A third component of our growth is that we are going to seek strong

(See Gold's Gym page 13)

Gold's Gym Opens The Second Center In Cairo, Egypt

Visual Realty, Inc. the owner and the developer of the Gold's Gym franchise in Egypt has begun construction on the second gym in Cairo, Egypt. The new center is scheduled to open to the public by first of December 1999, declared Chairman Ali H Mahmoud.

He added that the Nile Gold's would be the first of its kind to be constructed on a one boat-barge overlooking the Nile River in the center of Cairo. The Nile Gold's is expected to be over 20,000 square feet and will cost over \$2 million dollars to construct. It will be equipped with state-of-the-art Cardio and strength equipment from top-of-the-line companies.

In addition the gym will

provide full health and nutrition programs to its members through Apex Nutrition System. The center also will expand on its trainer's international school in association with ISSA.

Visual Realty opened the first Gold's Gym in Maadi, Cairo over one and half years ago - and is considered the core of health and fitness in Egypt. The company has plans to open two more gyms in the year 2000.

Mohamed Nassif, a partner and project engineer, states that the new gym symbolizes the marriage of pharaonic sportive heritage and architecture with the biggest well-known international legend, Gold's Gym. The architects of the new gym were inspired

by relief drawings and mural engravings of the pharaonic country at Beni Hassan which showed the first recorded sports games in the world, namely wrestling and heavy weights

He added that the pharaonic gate leads to the temple of the bodybuilding where the front desk, lockers, massage, aerobic and spinning room and female workout area are located. The open plan for the second floor will accommodate the main fully equipped workout area with Cardio-theater and free weights and provide a magnificent views of the Nile with Cairo's modern buildings flating the riverbanks.

...Caro & Brentwood

continued from page 3

ket, a history of financial success and with immediate growth potential for additional clubs locally to create greater market influence.

RFC's Future Plans

RFC is currently targeting well-managed club businesses that are comprised of a cluster of clubs with sufficient scale and with strong positions in their market-places. It expects to acquire more club companies this year. As the company grows, RFC may elect to access the public debt or equity markets.

"We plan to accelerate our club's growth from clustered groups of two or three to groups of ten or more, primarily through acquisition and limited new construction. It's reasonable for us to expect annual revenues of \$300 and \$500 million over the next three to five years, which would place RFC among the nation's three largest club companies," said David Wong, General Partner of Brentwood Associates.

The Marketing Competitive Edge

RFC clubs will gain a marketing advantage over non-clustered competitors as a result of critical mass and enhanced management information systems that

will enable them to gather unprecedented amounts of information on member demographics, psychographics, lifestyle attitudes and behavior patterns.

"Large, financially stable groups appeal to strategic partners such as HMOs, corporate human resources managers, professional teams and other groups seeking high-visibility sponsorships. It's exactly these types of partnerships that can boost the mainstream credibility of the health club business. And, by knowing more about what products and services appeal to our members, we can provide precisely those things which will increase membership retention," Caro said.

All RFC clubs will retain their current names to capitalize on existing local brand equity. RFC is now completing a formal name search and may introduce a national brand identity in the near future.

Strong San Antonio Presence

The market dominance of Bruce Hendin's San Antonio Racquetball and Fitness Clubs instantly appealed to Caro and Wong. The organization's community reputation was impeccable, with a clustered operation already developed around a 25-year tradition of specialized personal service. Hendin himself represents the best and brightest philosophy RFC espouses, with his strong charitable involvement

in the Leukemia Society and marketing alliance as the Official Health Club of the NBA Champion San Antonio Spurs.

The operational transition for Hendin's clubs will be seamless to both members and employees. Hendin has chosen to retain a significant equity stake in RFC and will serve as President of the Texas Region.

"I am naturally excited by the new challenge of helping manage a quantum leap in my club's growth, but I am even more thrilled for my members and employees. The sheer economies of scale and new best practices management skills RFC brings mean that my members will receive even better service and that my employees will have greater professional opportunities than ever before," says Hendin.

The new company will immediately begin to enhance Hendin's management information systems and to evaluate acquisitions and possible new construction. A fresh analysis of the current club's pricing, programs, physical plant and systems will be undertaken to identify opportunities for profitability. No staff changes will be made as a result of the acquisition.

The RFC Organization

RFC has developed a corporate structure with key leadership positions, including a Chief Executive Officer, Chief

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Financial Officer and a Chief Information Officer. The national executive search firm, Spencer Stuart, is screening candidates with substantial leadership experience from other similar industries. Caro, now serving as interim CEO, will assume full Chairmanship responsibilities after the CEO is hired. Board members with significant relevant experience will be selected.

Racquetball and Fitness Clubs, Inc. is a health club company pursuing a growth build-up strategy through acquisitions and selected new club developments. It will acquire platform companies and then foster the build-out of those markets with the ultimate goal of becoming the most respected and profitable fitness club operator in the U.S.

Gold's Gym Franchisee Feedback

We spoke to Gold's Gym licensee, Joel Potter, a ten year Gold's Gym veteran, owner of four Gold's Gyms in Omaha and Lincoln, Nebraska and Oklahoma City, OK. Joel's comments summarized the Gold's Gym story really well and we thank him for his time and point of view.

Joel Potter observes: "I think Gold's is a tremendous success story. They grew from a one-gym operation in 1965 to arguably the most successful gym licensing operation in the world today. But, it is time

for the next phase. While, as an operator I'm part of a family of gyms that numbers over 525, in many respects we still operate as individual operators. While Gold's corporate has been quite successful in licensing gyms around the world, the number of gyms that are company-owned and operated has always been one, Venice, California. Ed Connors was a licensee in many regards, but he was an anomaly there at corporate. And, I think from my perspective, this deal is significant in several respects: (1) Many people have argued that Gold's

Gym Enterprises, Inc. or corporate didn't understand the gym business as well as they could have due to their limited involvement as operators. For anybody that has visited Gold's Gym, Venice, you would understand that their experience as an operator is not typical of the average Gym owner, let alone Gold's gym owner. Gold's Gym Venice is very interesting, very colorful, very entertaining, but it is a gym experience that is unique from any place in the world. (2) Additionally, over the years with corporate having a limited ownership role, there have been business opportunities avail-

able that arguably could have/should have been capitalized on by corporate. That includes everything from buying gyms from licensees that decide for one reason or another they want to sell, whether they are successful and want to get out or whether they are struggling and need help. Or, to develop markets that may have been too expensive for an individual operator to pursue."

"I think that the new change will certainly provide all Gold's Gyms with more cohesive direction, added strength and a renewed level of respect in the industry and the public eye. I look at it from my perspective of my staff and as a person who tries to hire, there is going to be more opportunity for advancement for Gold's Gym employees. I think that it will stop the cannibalizing that has come in. I think we've seen that some gyms are sold out to the highest bidder. A lot of the Gold's licensees have been in it for a number of years and they have certain pride in the name. It's not Bob's gym."

"Personally, I haven't spoken to a single owner that views this change as negative. In fact, many owners that I have talked to have desired the change for several years. Probably the only common negative comment is some frustration with this not getting done quick enough. This is going to upset some people, but I know within my organization, anytime I provide direction for people who have an opinion, I can't please everybody. If you try to be everything to everybody, you end up being nothing. I think Gold's has to do the same thing. We have a very unique place in the marketplace. We are the Harley Davidson of the gym business. I have learned from experience the difference in negotiating that I can do just going from one gym to four gyms. To have a corporate structure where the owner that is really in the gym business is exciting to me because I think that there is going to be a deeper level of understanding from an operator's perspective that will move them to create more opportunities for other licensees as well as themselves."

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The whole operation is a huge undertaking. With over 25 employees and a monthly payroll around \$50,000. More than \$30,000 in building leases. Over \$20,000 a month is spent on replacement parts to refurbish the equipment. The cost to buy this depreciated equipment is over \$150,000. The point is we have made the necessary investments to insure a consistent and reliable product for you.

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"I Bought My Equipment From Worldwide For my second Club. I Saved Over \$25,000 And Used These Savings To Increase My Advertising Budget. This Extra Advertising Money Allowed me To Hit My One Year Sales Goals In My First 90 Days." Stephen Priest, MS, Fitness Health Club.

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A F F I L I A T E D A C C E P T A N C E C O R P O R A T I O N

The Organization Of The Future

By Bonnie Patrick

Are you ready for the future? Here's what research shows as the positive trends for strong organizations in the millenium and beyond.

Starbucks, The Body Shop, The U. S. Military, General Electric, Sun Microsystems, PepsiCo, Target Stores.

When you look at these organizations, what do they have in common? Big names, with global presence? Yes, but there's more. These businesses have been able to sustain substantial positive growth during times of change.

For example, Starbucks opens 2 stores per day, and hires over 1,000 people per month. Target sees the same type of growth,

with over 8,000 new hires per month. The U.S. Military has to be at a continual "ready" stage for almost anything at anytime.

How do they do this? How is the quality controlled? How do their organizations continue to be successful? And how does this relate to the health and fitness industry?

The answers lie in the evolving role of executive leadership, and strategic planning for leader development and growth.

Let's start by looking at leaders. Keilty, Goldsmith and Company and Andersen Consulting conducted extensive research on over 200 high potential leaders in 80 global organizations. Their findings can help shape our clubs and our people.

The number one quality of the leader of the future is en-

couraging feedback. In the past, self-confidence was identified as the most important quality. We knew how to tell people what we want. Now, it's more important to know how to ask for information. After all, what is a knowledge worker? This is someone who knows more about his or her area than the boss does. And for our industry, our members are a part of the process, as well as our staff members.

A wise person learns from experience.

A much wiser person learns from other people's experiences.

Here are a few steps to guide you through encouraging feedback:

1) ASK the customer or the staff member. The leader of the future asks people what he or she can do to improve. This can be hard! We're afraid of the answers. It's like when you go to the dentists, and he says, "Have you been flossing?" Knowing that this week your fingers have been busier with that floss than they've been all year, you sheepishly answer, "Why, yes, I have been!", because we're afraid that we'll be reprimanded for not consistently doing what we know is the right thing to do.

2) LISTEN. Don't give your impression. Be patient. Take notes.

3) THINK. Stop, breathe, and ask yourself, how am I going to respond?

Remember - the reason most cited as why people leave a company, job or position is because they feel they weren't listened to.

4) THANK. Express your gratitude. It may have been difficult for this person to approach you, with what YOU need to hear.

5) RESPOND to the feedback. Even just restating what was said is a good start. Don't overanalyze or become defensive. State any positives you can.

6) INVOLVE the person in the solutions or the desired change. For example, ask them what their suggestions are for resolution. Choose 1 or 2 things for starters. Underpromise/Overdeliver. You can't be a perfect everything to everyone all the time.

7) CHANGE. Can we? Yes. Will we? Sometimes.

What is the key to mak-

ing change stick? FOLLOW-UP.

Are you a waiter or a helper? Waiters wait for people to follow up with them. A helper follows up constantly, integrating changes slowly.

Howard Schultz, the CEO of Starbucks, personally goes to 50 stores each month. He facilitates focus groups and open discussions with staff and customers. The leaders in his company assist in the follow-up and implementation of change.

Think, too of the leaders who are legends: Joe DiMaggio, Ronald Reagan, Mother Teresa, Muhammed Ali, Princess Diana, General Norman Schwarzkopf. Their legacy was in developing strong leaders by positively influencing their success.

The Community Trust Factor

In 1958, some 41 years ago, when we were watching our black and white RCA TV (with no remote, of course), we were likely to see Proctor & Gamble's Ivory Snow commercials. Those ads translated into a 90% trust factor, and the brand was strong and successful.

Today, you barely see any ads for Sony anymore. Why? They are letting the customer down. By not meeting expectations, the confidence and trust level is only 7%.

3 years ago, the US Government shut down. Last year, there was the NBA lockout, over profits. And this year, there was the stained blue dress and the beret. All of these events led to a fracture of public trust. And there are long term ramifications in these messages. They effect how we deal with each other, and with our customers (staff and members).

Anita Roddick built the successful Body Shop on this premise. Community involvement and awareness is part of every person's job description. The Body Shop is a true example of an environmentally friendly company. Every single item they carry, everything they do is directly tied into their values. Roddick started small and built an empire on her personal beliefs.



Bonnie Patrick

Today's consumers tie integrity and positive community involvement in their buying decisions.

There are over 3,000 messages per day delivered to our customers. What is your message? How does it stand out over the other 2999? What is your legacy?

THE DRAMATIC EFFECTS OF GOOD LEADERSHIP ON TEAM PERFORMANCE

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As the result, in part, of:

- * Successfully taking up innovative ideas 61% of the time instead of 23%
- * Resolving conflicts 87% of the time instead of 22%.

Source: George West, extrapolated from research by Carl E. Larsen, Professor of Communications and Management Studies, Denver University, on 2,000 managers in 41 teams in 12 US Companies.

Common Characteristics of the Organization of the Future

Organizational development strategists such as Peter Drucker, Ken Blanchard and Peter Senge have identified some common characteristics for success (See Bonnie Patrick page 22)



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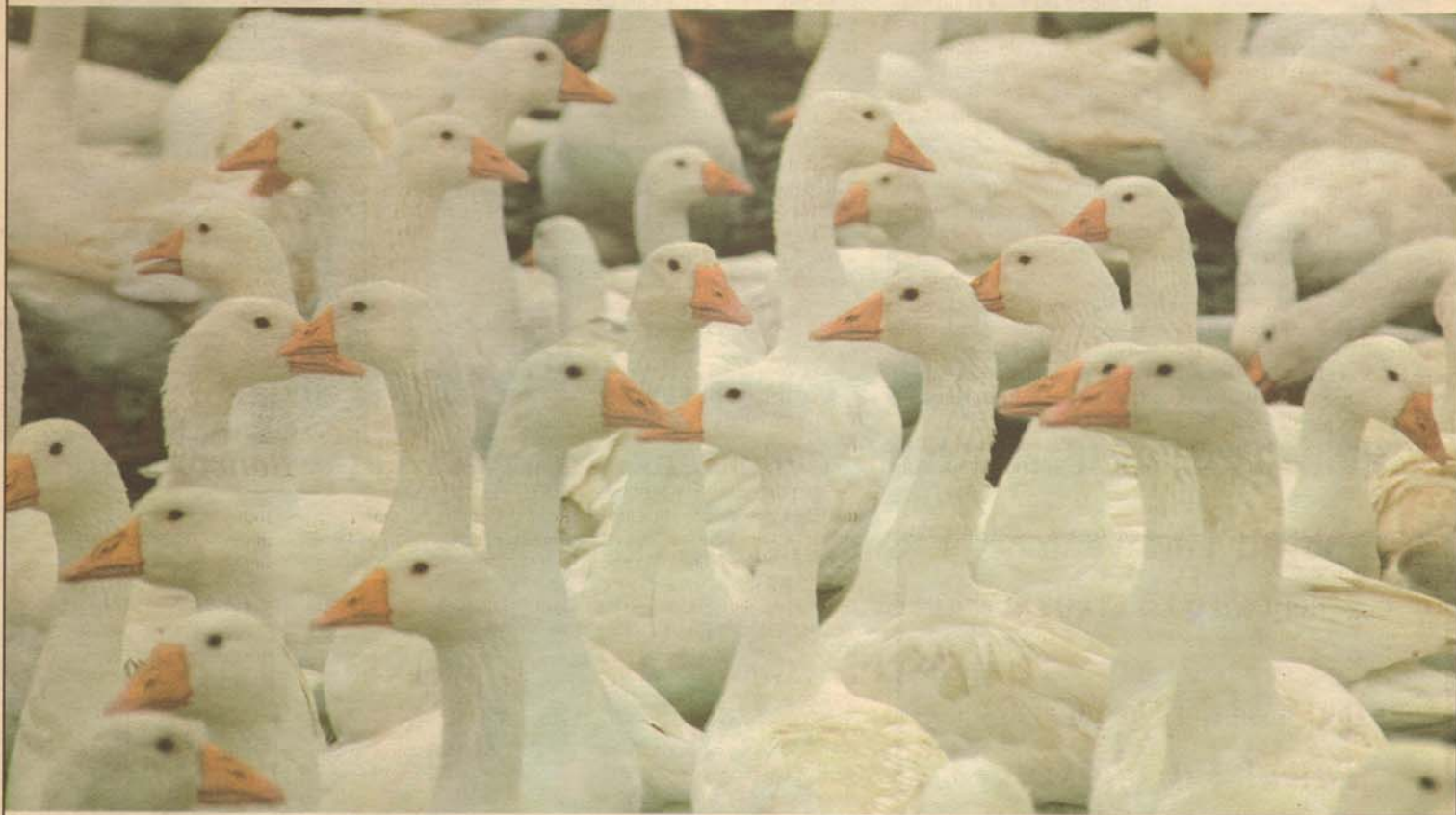
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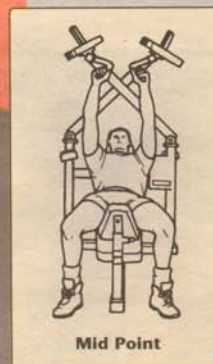
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...Gold's Gym

continued from page 6

financial operators to develop multiple locations in underdeveloped markets in the U.S. or overseas. Markets including Philadelphia, Chicago, Houston and Internationally like London, Paris and Madrid.

A Conversation With Ed Connors, President of Gold's Gym Franchising

We contacted Ed Connors in Venice, California to followup on Kirk's comments relative to the Gold's Gyms license division. We talked to Ed about the standardization program for the licensees. Ed commented, "When people walk into a Gold's Gym we want them to be able to expect a certain quality of workout environment, specifically as it pertains to equipment, maintenance and cleanliness. We also want the gym to have an unmistakable energy. However, we're not selling hamburger. We don't want all of our Gold's Gyms to look alike. When you are in Gold's Gym in Moscow, I think it is neat that you know you are in Russia from the interior and architectural features of the facility. Likewise, the Gold's Gym in Venice works for us, but I would not recommend this model for every town

in the U.S."

We asked Connors, could you tell us about the Gold's Gym inspection program? "We try to see every Gold's Gym once a year, but we are currently averaging every 18 months right now. We are going to try to get back to every 12 months. Over the last five years we have averaged about 30 locations per year that have failed the inspection and had their license terminated due to non-compliance. Also, during the past 4 years we've lost 50 gyms that have been bought by 24 Hour Fitness and to Town Sports International. That's the reason that Kirk and I started 4 years ago to find a business solution to this problem. I believe our owners were really selling out for what I consider as too little a multiple. They felt they had no choice. If they didn't sell out, they [24 Hour Fitness or Town Sports International] would come in and build a competing gym and their net would be reduced. It takes a lot these days to provide all of the services and equipment. Our goal is to have in 3 to 5 years 1,000 licensed and 150 company-owned stores.

So, the Gold's Gym Investments plan is to grow the organization through acquisitions of clubs that Gold's Gym Investments will own and through licensing of new and conversion

gyms. If you are interested in selling your club outright or if you are a financially strong investor that would like to get into the business in a big way with the development of 5-10 locations in a major U.S. or International city, contact Kirk Galiani at: (703) 207-0200 Ext. 300. If you want to learn about license opportunities for new gyms or conversion of your facility, contact Ed Connors in Venice, California at: (800)457-5375.

In the past six years we have seen an awful lot happen in the health, racquet and sportsclub industry. And, I think we are just seeing the tip of the iceberg and that much more growth is yet to

come. IHRSA's 100 Million By 2010 is off to a great start. And, the momentum generated from the 1996 Surgeon General's Report is just beginning to manifest itself. Beyond that, corporations everywhere are beginning to see the financial wisdom of investing in health and fitness for their employees, a movement that I believe can largely be traced to the work done by IHRSA in the late 1980s when the Association published 'The Benefits of Regular Exercise' and 'The Economic Benefits of Regular Exercise.' In the last 2-3 years, club organizations are, for the first time ever, beginning to gain access to significant growth capital. To top it all off,

all of this is going on now with just 11% of the estimated U.S. population of 260 million currently as members. What will our industry be like when we have 50% of the U.S. population as members of health, racquet and sports clubs? Only one word comes to mind to describe that scenario. AWE-SOME!

(Norm Cates, Jr. is the Publisher and Editor of *The CLUB INSIDER* News. Cates, a 25-year club industry veteran, was the 1st President of IHRSA (The International Health, Racquet and Sportsclub Association) and a Co-founder of the Association in 1981.)

...Helen Durkin

continued from page 4

they were able to, in the course of 3 hours from when the first club owner heard about it and the hearing was heard on the bill, to get 4 or 5 club owners to the State House to argue why it made no sense to tax health club memberships. Within 24 hours of the hearing, the bill was dead. Unless you are starting to think politically already, you can't react fast enough to do that. And that 5% difference is a big deal. Clubs typically feel a big hit when a sales tax goes into place. Especially any club who was thinking about raising its dues can't raise them once this tax goes into effect. So, if they hadn't acted fast, they would be giving a lot of money to the state. Politics worked in their favor to kill it, but they were there to make sure it happened."

"We had a series of sales taxes that were passed around the country in the early '90s. Almost every single time a sales tax is considered, if clubs find out about it in time, they have been successful in stopping it. The politicians don't want to tell anyone they are taxing because then the opposition has a chance to respond. But, in almost every instance where the club owners have been able to respond, they have been able to stop the sales tax. And, where it hasn't happened, two sales tax bills passed in the middle of the night. There was no club presence in the Legislature, so not a single legislator thought, "Oh gee, I wonder what Joe Moore [in Ohio] thinks? At that time. They didn't have a presence so the sales taxes were passed and now they have been spending years and years and a lot of money trying to get the sales tax overturned."

Q. As part of IHRSA's new thrust to be industry focused, what are you going to be doing to help clubs stay alerted about proposed tax measures such as those passed in Ohio, Washington State and Florida?

A. "We're going to do mailings to our non-members and if they want to get on our e-mail list we will include them for any legislative alert for our state. We have encouraged all club owners in each state to get together and to work for change regardless of whether they are IHRSA members or not. #1, you never know who has a connection. Just because they may not be an IHRSA member doesn't mean they aren't a key person that can make a difference in the legislature. And, #2, numbers are really important. I can't tell you how often a reporter might be doing a story and they find a non-IHRSA member who hasn't really spent much time thinking about the whole fair competition or public policy issues getting quoted in a way that really derails the whole opposition effort. So, it is really important that to the degree that we can agree as an industry, that we speak with a unified voice so that we can be more effective. All our legislative materials are kept on the web site in the section open to the public (www.ihrsa.org) so that they are accessible. We always have a 'what's new' page that is also open to everyone."

Q. What other challenges do you face?

A. "Another concern I have is about the legal side of things in the club industry. Prior to now, I would get a question and the response to my advice might be something like, "Don't bother me with the law." I think that in the past, the industry could get away with that attitude because it was such a small industry that it really didn't come into the focus of either people suing and looking for money or gov-

ernment agencies. Everytime I'm out among the membership I'm constantly asked about such legal matters. And, we get so many calls here."

"I don't think the industry has that luxury anymore. I think that from a regulatory standpoint you really have to pay attention to issues such as whether your aerobic instructors should be employees or independent contractors. What we've really tried to do is develop a strong battery of briefing papers that ask the questions most often asked by club owners and provide the answers that give the club owners enough information to then decide how they want to react. One of the areas where we've been getting so many questions and attention is the issue of kids in the club. It is really kind of an undeveloped area of the law so some of it is to help people learn what the best practices are.

In this regard and in others, the other challenge is to educate clubs beforehand about the potential problems and then providing the information about how to avoid the problems or correct them."

Don't Underestimate The Importance of Knowledgeable Legal Help!

Durkin continues, "One day I was speaking to one of the big operators that shall remain nameless, who said to me, 'Helen, it is very nice meeting you, but we are a big company and we really don't need the legal side of what you do.' I said, well - do you have baby sitting in your club?' He said, 'Yes.'" I said, "Are you aware of the recent Americans With Disability Act that says you have to administer Epi-Pen, which is a premeasured amount of Epinephrine, in case someone has severe anaphylaxis shock?" He replied, 'No, I'm not aware of that.' I (See *Helen Durkin* page 16)



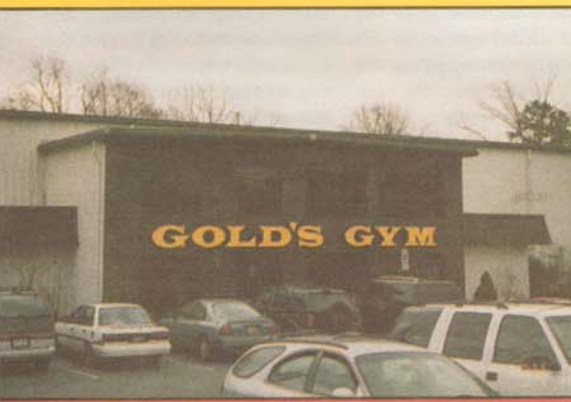
JOIN THE LARGEST INTE



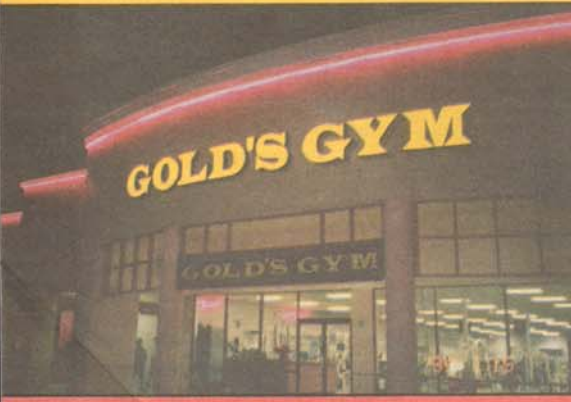
**GOLD'S GYM
GILBERT, ARIZONA**



**GOLD'S GYM
PINEHURST, NORTH CAROLINA**



**GOLD'S GYM
BURLINGTON, NORTH CAROLINA**



**GOLD'S GYM
WEST BRADENTON, FLORIDA**

U.S.A.

ALABAMA

Anniston 256-237-2614
Dothan 334-793-7170
Enterprise 334-347-6261
Gadsden 256-413-0055
Huntsville 205-539-FITT
Jasper 205-221-4225
Mobile 334-476-GOLD
Montgomery 334-271-7575
Prattville 334-285-2770
Sheffield 205-383-GOLD
Tuscaloosa 205-345-6496

ALASKA

Anchorage 907-561-2214

ARIZONA

Gilbert 602-497-8686
Mesa 602-833-0099

ARKANSAS

Bentonville 501-464-GOLD
Fayetteville 501-521-0585
Fort Smith 501-648-9400

CALIFORNIA

Campbell 408-379-2951
Chico 530-893-GOLD
Citrus Heights 916-722-5646
Crescenta Valley 818-951-5222
Escondido 619-738-2008
Fairfield 707-421-0553
Fresno 209-229-GOLD
Goleta/UCSB 805-964-0556
Hollywood 323-462-7012
Huntington Beach 714-378-4784
Long Beach 562-436-GOLD
Marin 415-924-GOLD
Merced 209-726-GOLD
Modesto 209-578-GOLD
Monterey 408-394-8870
Mountain View 650-940-1440
North Hollywood 818-506-4600
Northridge/Reseda 818-772-1400
Oakland 510-451-GOLD
Oceanside/Vista 760-630-2222
Palm Desert 760-360-0565
Palm Springs 760-322-GOLD
Palmdale 707-778-8889
Rancho Cordova 916-853-5646
Redondo Beach 310-374-5522
Redwood City See Local Ads
Riverside 909-684-6537
San Diego 619-272-3400
San Francisco
Brannan St. 415-552-GOLD
San Jose 408-279-6441
San Jose (S) 408-360-8440
San Mateo See Local Ads
Santa Barbara (Dntn) 805-965-0999
Santa Barbara (Uptn) 805-563-8700
Santa Clara 408-988-4494
Santa Cruz 831-425-GOLD
Santa Rosa 707-545-5100
Scripps Mesa 619-566-9500
Simi Valley 805-522-9100
Sonoma See Local Ads
Sylmar 818-367-GOLD
Temecula 909-699-5432
Thousand Oaks See Local Ads
Trabuco Canyon 949-888-8420
Vacaville 707-447-0909
Vallejo 707-552-GOLD
Venice 310-392-6004
Victorville 760-243-GOLD
Walnut Creek 510-935-1132

COLORADO

Boulder (E) See Local Ads
Colorado Springs 719-599-GOLD

CONNECTICUT

Bloomfield 860-286-9801
Bristol 860-585-6400
Enfield 860-253-9521
New Haven 203-773-1578

DELAWARE

Newark 302-633-GOLD
Rehoboth Beach 302-226-GOLD
Wilmington 302-764-5656

DISTRICT OF COLUMBIA

Capitol Hill 202-554-GOLD
Van Ness 202-364-GOLD

FLORIDA

Altamonte Springs See Local Ads
Boca Raton (E) 561-997-5464
Boca Raton (W) 561-470-9494
Bonita Springs 941-498-3339
Bradenton (E) 941-748-GOLD
Bradenton (W) 941-792-4584
Brandon 813-662-2274
Cape Coral 941-549-3354
Clearwater 727-791-8550
Deerfield Beach 954-418-8400

GEORGIA

Acworth See Local Ads
Albany 912-888-3305
Alpharetta See Local Ads
Atlanta 404-350-9515
Augusta/Martinez 706-650-9999
Calhoun 706-629-9101
Carrollton 770-830-6900
Cartersville 770-382-GOLD
Clarksville 706-754-3043
Conyers 770-483-0099
Cumming 770-844-7500
Douglasville 770-949-7507
Fayette 770-487-4273
Gainesville 770-534-3648
Kennesaw 770-425-GOLD
La Grange 706-884-GOLD
Lawrenceville 770-682-4443
Lilburn 770-931-2262
Macon 912-471-9199
Marietta 770-432-8688
Marietta (N) 770-321-6900
Norcross See Local Ads
Peachtree City (W) 770-631-9901
Roswell 770-641-3933
Statesboro 912-871-6622
Warner Robins 912-329-0200

HAWAII

Kailua-Kona 808-334-1977
Kihei 808-874-2844
Lahaina 808-667-7474
Wailuku 808-242-6851

IDaho

Boise 208-377-GOLD

ILLINOIS

Aurora 630-264-1571
Bloomington 309-661-GOLD
Bradley 815-932-3177
Champaign 217-359-FIRM
Decatur 217-872-2777
Gurnee See Local Ads
Mount Zion 217-864-5000
Orland Park 708-429-5438
Urbana 217-344-GOLD

INDIANA

Fort Wayne 219-432-GOLD
Greenwood 317-887-2100
Indianapolis (NE) 317-598-9399
Merrillville 219-947-7867

IOWA

Cedar Rapids 319-373-5200
Iowa City/Coralville 319-338-FITT

KANSAS

Merriam 913-722-2001
Olathe 913-782-6878
Wichita 316-773-3496

Destin

Fort Lauderdale 954-491-GOLD
Fort Myers 941-278-GOLD
Fort Walton Beach 850-863-3222
Gainesville 352-331-GOLD
Hollywood 954-927-3481
Jacksonville (N) 904-745-3300
Jacksonville (S) 904-448-0600
Lakeland 941-646-3036
Largo See Local Ads
Melbourne 407-676-4073
Miami 305-553-8878
Miami (S) 305-256-0065
Miami Beach (N) 305-945-7570
Miami Lakes 305-621-GOLD
Naples 941-598-4466
New Port Richey 727-849-8606
Orange City 904-775-GOLD
Orange Park 904-272-7530
Ormond Beach 904-677-4949
Palm Beach 561-471-8880
Palm Beach Gardens 561-694-6727
Palm Harbor 727-786-1915
Panama City 904-872-1955
Pembroke Pines 954-432-9990
Pensacola 850-484-0849
Pensacola (N) 850-505-0006
Port Charlotte See Local Ads
Port Orange 904-756-8282
Port St. Lucie See Local Ads
Sarasota 941-923-GOLD
South Miami Beach See Local Ads
Spring Hill 352-684-2468
St. Petersburg (N) 727-541-7296
St. Petersburg (NE) 727-822-9394
St. Petersburg (S) 727-864-0333
Stuart 561-287-0222
Sunrise 954-741-5511
Tallahassee (N) 850-385-9712
Tallahassee (Dntn) 850-942-9712
Tampa (C) 813-935-BODY
Tampa (Palms) 813-977-BODY
Tampa (S) 813-831-BODY
Venice 941-496-9588
Weston See Local Ads
Winter Springs 407-696-0600

See Local Ads

954-491-GOLD
941-278-GOLD
850-863-3222
352-331-GOLD
954-927-3481
904-745-3300
904-448-0600
941-646-3036
See Local Ads
407-676-4073
305-553-8878
305-256-0065
305-945-7570
305-621-GOLD
941-598-4466
727-849-8606
904-775-GOLD
904-272-7530
904-677-4949
561-471-8880
561-694-6727
727-786-1915
904-872-1955
954-432-9990
850-484-0849
850-505-0006
See Local Ads
904-756-8282
See Local Ads
941-923-GOLD
See Local Ads
352-684-2468
727-541-7296
727-822-9394
727-864-0333
561-287-0222
954-741-5511
850-385-9712
850-942-9712
813-935-BODY
813-977-BODY
813-831-BODY
941-496-9588
See Local Ads
407-696-0600

See Local Ads

912-888-3305
See Local Ads
404-350-9515
706-650-9999
706-629-9101
770-830-6900
770-382-GOLD
706-754-3043
770-483-0099
770-844-7500
770-949-7507
770-487-4273
770-534-3648
770-425-GOLD
706-884-GOLD
770-682-4443
770-931-2262
912-471-9199
770-432-8688
770-321-6900
See Local Ads
770-631-9901
770-641-3933
912-871-6622
912-329-0200

KENTUCKY

Bowling Green 502-793-9591
Paducah 502-575-9000

MAINE

Bangor 207-947-0763
Portland 207-761-9099

MARYLAND

Annapolis 410-295-0893
Baltimore/Inner Harbor 410-576-7771
Columbia See Local Ads
Crofton See Local Ads
Frederick 301-698-GOLD
Gaithersburg 301-721-GOLD
Glen Burnie 410-789-GOLD
Greenbelt 301-982-6700
Hagerstown 301-733-0980
Ocean City 410-723-1010
Timonium 410-252-8271
Towson 410-769-8806
Waldorf 301-932-GOLD

MASSACHUSETTS

Arlington 781-646-GOLD
Boston 617-536-6066
Braintree 781-849-0444
Concord 978-369-8822
Danvers 978-777-3151
East Bridgewater 508-690-1100
Everett 617-389-8896
Hyannis 508-790-4477
Marlborough 508-480-8949
Methuen 978-975-5441
Milford 508-473-4462
Natick 508-820-8886
Needham 781-444-6537
New Bedford 508-998-7070
Plymouth 508-747-1051
Salem 978-745-4007
Salisbury 978-462-5662
Springfield 413-788-0448
Stoughton 781-344-2222
Swansea See Local Ads
Tewksbury 978-840-1572
West Roxbury 617-327-GOLD
West Springfield 413-746-2677
Westboro 508-366-7006
Woburn 781-935-5355
Worcester 508-757-3900

MICHIGAN

Brighton See Local Ads
Canton 734-459-0020
Garden City 734-421-7717
Harbor Country 616-469-0585
Livonia 248-474-7714
Royal Oak 248-543-7100
Wixom 810-960-7766

MINNESOTA

Duluth 218-723-8484
White Bear Lake 651-777-6800

MISSISSIPPI

Jackson 601-936-3074
Ocean Springs 601-872-9999
Starkville 601-324-5200

MISSOURI

Cape Girardeau 573-651-GOLD
Columbia 573-874-0800
Festus 314-931-GOLD
Independence 816-252-0220
Jefferson City 573-634-3036
Kansas City (N) 816-454-2700
Manchester 314-227-3539
Springfield 417-887-0088
Westport 816-931-9888

MONTANA

Bozeman 406-522-7777
Missoula 406-549-9181

NEBRASKA

Lincoln 402-467-GOLD
Omaha (N) 402-496-8900
Omaha (S) 402-339-GOLD

NEVADA

Las Vegas
East 702-451-4222
West 702-877-6966
Summerlin 702-360-8205

NEW HAMPSHIRE

Keene 603-358-6606
Manchester 603-641-6500
Merrimack 603-424-6676
Nashua 603-889-1565
Portsmouth 603-436-6664

NEW JERSEY

Belleville 973-751-6999
Cranford 908-709-4200
Delran 609-461-GOLD
Green Brook 732-968-6500
Howell 732-905-0999
Laurel Springs 609-435-5566

INTERNATIONAL GYM CHAIN

Mahwah
Middletown
Paramus
Princeton
Riverdale
Somers Point
Totowa
Washington Twnshp
Whippany

See Local Ads
732-671-4800
201-265-7722
732-329-8300
973-839-8606
609-926-1515
973-256-GOLD
609-228-8003
973-386-0777

NEW MEXICO

Albuquerque
Las Cruces
Rio Rancho

505-881-8500
505-523-4988
505-896-1955

NEW YORK

Albany
Astoria
Bellmore
Binghamton
Bronx (E)
Bronx (NW)
Brooklyn Heights
Buffalo (N)
Buffalo (S)
Carmel
Chili
Deer Park
DeWitt
East Northport
Howard Beach
Latham
Liverpool
Lynbrook
Middletown
Monroe
Newburgh
North Shore
Port Jefferson
Rochester
Rye/Port Chester
Smithtown
South Shore
Syosset
Wappingers Falls
Watertown
White Plains
Woodside
Woodstock

518-464-1500
718-472-4455
516-221-1800
607-729-GOLD
718-863-FITT
See Local Ads
718-596-GOLD
716-626-1963
716-824-GOLD
See Local Ads
716-889-1000
516-586-GOLD
315-446-0376
516-757-3377
718-845-GOLD
518-786-1500
315-451-5050
516-599-8441
914-344-GOLD
See Local Ads
914-564-7500
516-742-4477
516-331-6100
716-467-GOLD
See Local Ads
See Local Ads
516-737-GOLD
516-933-1111
914-298-GOLD
315-788-8373
914-390-FITT
718-426-9000
914-338-2887

NORTH CAROLINA

Asheboro
Asheville
Burlington
Cary
Cary (W)
Chapel Hill
Charlotte
Crown Point
Pineville
Southpark
University
Concord
Durham (N)
Durham (S)
Garner
Gastonia
Goldsboro
Greensboro
Hickory
Jacksonville
Pinehurst
Raleigh
Rocky Mount
Salisbury
Wilmington
Wilmington (N)
Winston Salem
Winston Salem (W)

336-626-GOLD
See Local Ads
336-227-6565
919-480-GOLD
919-481-GOLD
919-933-6377
704-849-7799
704-341-1314
704-554-1010
704-548-0202
704-795-6000
919-309-9577
919-403-1999
919-772-GOLD
704-868-4050
919-759-2348
336-854-0808
828-322-2200
See Local Ads
910-693-1400
919-872-7036
See Local Ads
704-633-6638
910-350-8289
910-392-3999
336-924-2600
336-765-2202

OHIO

Columbus

614-262-GOLD

OKLAHOMA

Lawton
Oklahoma City (NW)
Oklahoma City (N)
Tulsa

580-248-1300
405-722-7171
405-478-4967
918-258-5000

OREGON

Albany
Aloha
Ashland
Beaverton/Tigard
Bend
Cedar Mill
Cornell Oaks
Corvallis
Fairview
Hillsboro
Lake Oswego
Tigard
McMinnville
Medford
Milwaukie
Portland (Dntn)
Portland (E)
Raleigh Hills
Roseburg

541-917-FITT
503-642-5946
541-482-5510
503-643-1020
541-389-GOLD
503-672-9669
503-629-5073
541-758-9440
503-674-5050
503-629-0606
503-598-7664
503-434-5044
541-779-5853
503-654-1999
503-222-3030
503-256-0300
503-297-3723
541-673-0555

Salem (Dntn)
Salem (S)
Tualatin
Wilsonville

503-581-4766
503-391-5438
503-692-5050
503-570-2727

PENNSYLVANIA

Allentown
Chambersburg
Elkins Park
Hanover
Harrisburg (E)
Harrisburg (W)
Kingston
Lancaster
Lebanon
Limerick
Malvern
Philadelphia (NE)
Pittsburgh (S)
Pittsburgh (W)
Plymouth Meeting
Reading
Scranton
Southampton
State College
Thorndale
York (N)
York (S)

See Local Ads
See Local Ads
215-379-FITT
717-632-6080
717-652-7490
717-730-0810
717-283-9750
717-569-0589
717-279-7743
610-948-4088
See Local Ads
215-673-GOLD
412-653-8633
412-921-7074
610-940-6787
610-372-9131
717-343-GOLD
215-942-GOLD
814-234-1689
610-380-GOLD
717-843-2810
717-741-9529

RHODE ISLAND

Cranston
Providence
Smithfield
Warwick
Westerly

401-732-9773
401-722-6600
401-232-3375
401-739-9406
401-596-0300

SOUTH CAROLINA

Aiken
Boiling Springs
Columbia
Harbison
Northeast
St. Andrews
Greenville
E. North St.
Hilton Head
Myrtle Beach
Rock Hill
Spartanburg

803-648-GOLD
864-814-5600
803-749-9700
803-419-0222
803-798-1000
864-268-3346
843-837-GOLD
843-448-3939
803-327-5500
864-574-5600

TENNESSEE

Clarksville
Jackson
Murfreesboro

931-551-9000
901-668-9243
615-849-8844

TEXAS

Abilene
Amarillo
Bryan
College Station
Corpus Christi
Denton
El Paso (E)
El Paso (W)
Galveston
San Antonio
Waco
Wichita Falls

915-695-8900
806-359-5438
409-822-8000
409-764-8000
512-992-GOLD
940-320-6848
915-593-3133
915-833-GOLD
409-763-5448
210-521-GOLD
254-399-9393
817-696-0831

UTAH

Layton
Linden
Ogden
Provo
West Valley

801-546-GOLD
801-785-4000
801-399-0557
801-377-GOLD
801-969-2344

VIRGINIA

Alexandria
Annandale
Arlington
Baileys Crossroads
Chantilly
Charlottesville
Fairfax (E)
Herndon
Lynchburg
Manassas
Rosslyn
Springfield
Stafford
Sterling
Tysons Corner
Winchester
Woodbridge

703-768-6800
See Local Ads
703-527-GOLD
703-820-GOLD
703-378-GOLD
804-973-1307
703-352-GOLD
703-467-0500
804-237-4157
703-369-4950
703-528-5555
See Local Ads
540-720-7043
See Local Ads
703-893-GOLD
540-667-GOLD
703-680-7000

WASHINGTON

Belleuve
Bellingham
Bothell
Everett
Kennewick
Kirkland
Lynnwood
Marysville
Olympia
Pasco
Renton
Richland
Seattle (Dntn)

425-644-6100
360-671-GOLD
425-486-2805
425-258-3862
509-735-2500
425-827-0777
425-712-8600
360-658-GOLD
360-352-2533
509-545-5191
425-227-9320
509-943-8416
206-524-5543

Spokane
Spokane (N)
Wenatchee
Yakima

509-448-5800
509-465-0500
509-663-4965
509-574-0711

WEST VIRGINIA

Martinsburg
Morgantown

304-263-7169
304-291-BODY

WISCONSIN

Appleton
Green Bay
Kenosha
Madison

920-733-GOLD
920-468-6778
414-697-9444
608-244-GOLD

INTERNATIONAL

ARGENTINA

Buenos Aires

541-394-8855

AUSTRALIA

Sydney (S)

See Local Ads

BAHAMAS

Nassau

242-394-GOLD

CANADA

Brentwood Bay
Edmonton
Kelowna
Mississauga
Vancouver (N)
Victoria

250-652-5444
780-44-GOLDS
250-860-6900
905-629-2348
604-986-9177
250-381-6442

CHINA

Beijing (N)
Hong Kong
Shanghai

See Local Ads
852-2838-6888
86-21-6279-2000

CYPRUS

Nicosia

357 2768075

DOMINICAN REPUBLIC

Santo Domingo

809-549-4321

ECUADOR

Quito

5932-464-385

EGYPT

Cairo
Maadi
Nile

20-2-378-5592
See Local Ads

ENGLAND

London/Hanwell

44-181-840-0044

FINLAND

Helsinki

358-9-627 227

GERMANY

Berlin
Dortmund
Kiel
Langenhahn
Mannheim

4930/442 82 94
49-231-912348-0
49-431-54020
49-02663/7432
49-621-772148

GUAM

Agana

671-472-5550

HONDURAS

Tegucigalpa

504-236-7120

JAPAN

Gyotoku/Chiba
Tokyo (E)
Tokyo (N)

81-47-390-3434
81-3-3645-9434
81-3-3917-9434

MEXICO

Cuernavaca
Culliacan
Guadalajara
Ave. Vallarta
Cd. Del Sol
Hermosillo
Leon
Mexico City/Polanco
Queretaro

5273-14-4344
52-67-15-0202
523-647-6666
523-647-0420
52-62-11-07-72
52-471-8-7590
525-254-6057
5242-12 75 51

NORTHERN MARIANA ISLANDS

Saipan

1-670-233-4000

PERU

Lima
San Isidro

511-437-3539
See Local Ads

PUERTO RICO

Isla Verde

787-791-7768

QATAR

Doha

974-666-622

RUSSIA

Moscow (N)

7-095-931-9616

SOUTH KOREA

Pusan
Seoul (E)
Seoul (W)

See Local Ads
822-2274-1861
822-2461-0828

UKRAINE

Kiev

See Local Ads

US VIRGIN ISLANDS

St. Thomas

340-777-9474



GOLD'S GYM
BRANDON, FLORIDA



GOLD'S GYM
MESA, ARIZONA



GOLD'S GYM
ST. PETERSBURG, FLORIDA



GOLD'S GYM
RANCHO CORDOVA, CALIFORNIA

On Heels Of Tax Exempt Defeat, YMCA Attacks IHRSA Web Page Demands Removal Of 'Unfair' Fitness Facility Photos

Boston, MA. - The YMCA of the USA has issued a terse letter to the International Health, Racquet and Sportsclub Association (IHRSA) in Boston, demanding that the trade group remove photographs from its website of various fitness facilities operated by YMCAs.

The letter arrived at IHRSA about 45 days after a May 28th ruling in Tennessee, in which the State Board of Equalization ruled that 13 YMCA facilities in the state should lose at least part of their tax exemption.

Originally posted on the Internet to illustrate the problem of unfair competition by non-

profit organizations such as the YMCA, the photographs are no longer on the IHRSA website. The trade group removed them as a courtesy in response to the YMCA letter. However, in a letter to the YMCA informing them of the change, IHRSA Executive Director, John McCarthy, took the opportunity to call for a more

open examination of whether specific YMCA facilities should pay taxes.

"The issue of unfair competition by non-profit fitness companies like the YMCA is one we do not want to misrepresent at all. We would like to be examined factually, in the full glare of the public spotlight," wrote

McCarthy, later adding, "As the recent taxation decision in Tennessee shows, this issue promises to be very much in the public eye in the coming months. A workable agreement for exchanging this type of crucial information would make a large contribution to the public dialogue on unfair competition in the fitness industry."

"Selling Fitness" Hits Italian Market

Wakefield, RI - July 18, 1999 - Casey Conrad's "Selling Fitness" book, the first book in the industry which is specifically designed for fitness salespeople, has now been translated and published in Italian by Editrice Il Campo, located in Bologna, Italy.

Editrice Il Campo founded Il Nuovo Club in 1989: a bimonthly magazine on the economic and managerial aspects in the sport and fitness industry. In addition to the magazine, the company publishes sport facility related books. Re-

garding Casey's book, publisher owners-the Maestramis note, "As the Italian fitness market continues to evolve it has recently undergone changes in managerial development. Most Italian gyms were started by fitness enthusiasts and managed in a spontaneous manner. In the last five years entrepreneurs have just started to invest money in the fitness sector, stimulating a more serious approach to turning their gyms into actual businesses. A structural guideline was in demand and Casey's Selling Fitness book of-

fers a specific study dedicated to the market of fitness, making it original in the editorial panorama. Therefore, it is an important contributor to the professional growth of clubs. Also, the lively psychological element creates an inviting and stimulating text for the reader."

Within the first 30 days of release the book has already sold over 300 copies, a considerable number given the fact that the Italian market is much smaller than the US market. The book is being marketed through the maga-

zine as well as at industry trade shows and conventions. Conrad was a featured speaker at the recent Lifenergy/IHRSA Conference, held July 23rd- 25th in Rome and participated in a book signing at the trade show. In addition to the conference Conrad worked with Italian consultant, Edoardo Cognonato, to offer an all day sales seminar. Because of the response to such a program she is scheduled to return every three months to work closely with Cognonato's clients at one and two day inten-

sive training programs on sales and marketing.

Conrad founded Communication Consultants ten years ago. The company provides the fitness industry's most comprehensive system of live training seminars, tapes, workbooks, textbooks, on-site club consulting and trade show lecturing, with more than 19 products in use in over 1,600 clubs worldwide. In addition to being President of the company for the last 10 years, Conrad is an attorney, licensed in the State of Rhode Island.

...Helen Durkin

continued from page 13

responded, "That's the kind of information you guys need to know because the law is not static."

Durkin added, "Even on a small club level I've found over the years that clubs should get counsel from people that know specifically what they are doing relating to our industry when incorporating and writing new contracts. Even though I'm saying that the industry is now bigger, it is still not big enough to have its own section of the law. So, club owners mostly go to their local attorney or a general attorney. More often than not, those attorneys don't know what they are doing when it comes to health club law. I talked to one club owner that was actually fending off a lawsuit by the State because his lawyer never checked with the State statute that governed health clubs. It was basic stuff and the owner said, 'I'm a good club operator and I'm not trying to screw the public.' But, he didn't follow the letter of the

law. And, he was really in serious jeopardy of having the club closed down. I think the other thing for the small operators is that sometimes IHRSA is being used as a check for the local lawyer that doesn't know the law. So, even that level of assistance can be helpful"

Help For IHRSA Members and Non-Members Alike

"Durkin said that IHRSA wants to make sure that members and non-members all have the information so that they have the knowledge to step up to the plate. [When the time comes.] We don't want to always put the burden on just that one group."

On the political side, this sharing is very important. For example, in the State of Washington, the IHRSA FUND contributed matching monies for that cause and every club owner in that State benefited whether they had spent a penny or not.

This year the IHRSA fund contributed the following amounts to fight existing sales taxes: In Washington State \$6,000;

Ohio \$6,000 and Florida \$11,000.

You Can't Trust the Politicians

The following statement to club owners does not come from Helen Durkin, but instead, from this writer: "You need to understand the underhanded methods of the politicians that govern our States. You need to realize and come to grips with the fact that the politicians that govern the State Legislatures and the U.S. Government don't always play fair. You just can't trust them without checking on them and knowing firsthand what they are up to. For example, in 1990 in Florida, a State Sales Tax was passed under the auspices of providing funds for sex education and the fact that health club memberships would be included was not even disclosed until after the bill had been approved. In '94 the sex ed Bill was repealed. But, the sales tax on health clubs remained in place! Since then, the rigorous efforts of SEHRSA to overturn the Florida Sales Tax have not been successful even though the club owners group have spent over

\$44,000 on a lobbyist!"

Cates continues, "So, if you own a health club, it behooves you to stay very close to the activities of your State Legislature immediately before and while it is in session in order to prevent them from slipping one in on you. And, stay close to IHRSA's Web site: www.ihrsa.org. Because, if they are left alone, unchecked by concerned club owners, they will put it to you. The bottom line when dealing with legislatures is that if all club owners don't work together to take the necessary action to oppose unfair legislation, such as Sales Taxes on memberships, anything can happen. And, recent experiences in Florida, Ohio and Washington State provide ample proof of how hard it is to reverse the damage once it is done."

The Health Club Industry - A 'Sleeping Giant'

Durkin added, "One of the things that is real important for everyone in the industry to feel is that they CAN do some-

thing. Unlike a lot of other industries, I find that health clubs have such great access to really key decision makers in their towns. Whether it's the politicians because they want to look good or the media. They have very good connections. But, because they don't think politically they often don't utilize their contacts. I remember talking to Jerry Martin of the Boston Athletic Club. The Boston Athletic Club is full of politicians. Jerry would do fund raisers with these guys. When he first started doing political events with these guys he was uncomfortable with asking for anything political from them. It's a cliché, but this industry really is a 'sleeping giant.' It's such a positive industry and its doing so much good. Access to really key people is so much easier than a lot of industries. We just need to get into training to do it."

We thank Helen Durkin for her time for this interview and report. STAY TUNED for more on Governmental Relations.

(Norm Cates, Jr. is the Publisher and Editor of The **CLUB INSIDER** News. Cates is a 25-year club industry veteran, the 1st IHRSA President and Co-founder of the Association in 1981.)

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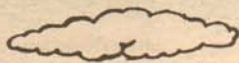
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IHRSA's Capitol Report

Capitol Report Reprinted Courtesy Of IHRSA

YMCA Coverage Scores Points

The following is an excerpt from the Sunday, August 8 edition of Oshkosh, Wisconsin's newspaper, The Northwestern: Private fitness clubs say YMCAs receive unfair advantage

As YMCAs across the country continue to expand their facilities and increase membership... a national fitness club organization out of Boston argues some YMCAs have strayed from their original, charitable missions and wandered into direct - and unfair - competition with taxpaying, adult

fitness clubs.

"We estimate that a tax-exempt center has a one-third cost advantage over a tax-paying center," Jay Ablondi, director of government relations for [IHRSA], said. "That means, they can offer the same service at 67 percent the cost of a tax-paying club."

The problem has become so severe that the IRS was recently ordered by Congress to look into unfair competition in the fitness industry. IHRSA has submitted a report detailing what the government should look for and also has put out a video "Unfair Competition:

Feeling the Burn" for taxpaying fitness clubs to show to their legislators.

"One of the hurdles that a small business owner faces is that organizations like the YMCA get countless access to free publicity... They have a halo effect," he said. "It's very tough when you try to bring up a negative. You have a hurdle to overcome from the beginning."

Some YMCAs... have deserved to lose their tax-exempt status.

*A quote from -
Robert Small,
Oshkosh YMCA
Executive Director*

Oshkosh YMCA Executive Director Robert Small admitted there are some YMCAs that have deserved to lose their tax-exempt status. But Oshkosh isn't one of them.

"The lifestyle center is the only adult-oriented area," Small said. "Fitness is a part of the YMCA's charitable mission to the community."

"But it wasn't the only part," Martin Miller, owner of Club Fit health clubs in Appleton and Stevens Point, said.

"No longer do underprivileged children go (to the YMCA) to be housed and learn Christian values," Miller said.

Miller said he's not contending YMCAs don't provide outstanding programs or do good things for the community, he just thinks the organization has gotten away from its original mission statement that involved teaching young men Christian values.

"They compete unfairly with for-profit health clubs under the guise of a nonprofit status," Miller said.

The Oshkosh branch of

Club Fit closed last year because its franchise license was revoked. Miller said the owners knew once the new YMCA opened on that side of town they would be put out of business. Club Fit sold the location to the Oshkosh Athletic Club.

Ablondi said that IHRSA has no problem with the YMCA taking a tax deduction for charitable work. "But they... can really out-muscle a small business owner with their access to capital fundraising and tax breaks."

Call IHRSA Member Service at (800) 228-4772 to order your FREE copy of Feeling the Burn, IHRSA's new fair competition video!

IRS ISSUES NEW AUDIT GUIDELINES FOR EXEMPT FITNESS CENTERS

Citing "the increasing commercial character of fitness centers operated by exempt organizations," the IRS has issued new field guidelines that impose tougher standards on such facilities.

The language in The Exempt Organizations Continuing Professional Education Text (CPE) could be a rude awakening for health clubs operated by YMCAs, JCCs, hospitals, colleges and other organizations that do not pay taxes.

"The IRS is saying 'prove it' when tax-exempts claim that providing fitness services is a charitable activity," said Helen Durkin, IHRSA's Director of Public Policy. "It won't be enough for a facility to say it is available to the entire community — it must provide hard economic and demographic evidence to prove that it is in fact

used by the economically disadvantaged."

The IRS language stresses the "fragmentation" rule, which directs agents to determine tax status for nonprofit facilities on a case-by-case, activity-by-activity basis. "In appropriate circumstances," reads the report, "the activities of a fitness center may be fragmented so as to subject those activities, which are indistinguishable from their commercial counterparts to unrelated business income tax."

Durkin said that this is the first time the IRS has publicly recognized the problem of commercialization by tax-exempt fitness clubs and tried to do something about it.

IHRSA has long contended that tax-exempt organizations should not operate commercial fitness facilities unless they are willing to pay their fair share of taxes. Last year, Congress instructed the U.S. Treasury Department to re-examine the rules for when and if the income of nonprofit fitness centers should be taxed.

If the new IRS rules are as revolutionary in practice as they appear on paper, this would be the second major development in the "unfair competition" debate in the last few months. On May 28th, a staff attorney for the Tennessee Board of Equalization determined that the de-facto mission of thirteen facilities operated by the YMCA of Middle Tennessee was to compete directly with private, taxpaying clubs. As a result, counsel recommended that all thirteen facilities should lose their tax exemption.

LOG ON TO THE TAX DEBATE

IHRSA members can view the new IRS guidelines by visiting the government relations section of www.ihrsa.org. In addition, you can read the submissions to the IRS by IHRSA and the YMCA. IHRSA encourages club operators to examine both sides of the fair competition debate.

These documents are in the "member-only section" of ihrsa.org so you will need your IHRSA member I.D. and password to access them. If you have difficulties, call IHRSA's member service department for assistance.

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GOOD NEWS - BAD MOVES

By Ben Emdin

Publisher's Note: Ben Emdin served IHRSA well as the President of the Association. Until recently, Ben was the owner/operator of the East Hills Athletic Center and Orchard Hills Swim Center, which he sold to a local hospital group. The following article was written from comments that Ben made as the Keynote Speaker at the THRSA Award Dinner on Friday, July 23rd, and was reprinted courtesy of THRSA.

The Fitness Industry is in a time of change; chains, consolidation, hospital-based clubs and increasing sophistication. We are being challenged to be better than we have ever been.

Recently, East Hills Athletic Center and Orchard Hills Swim Center, Grand Rapids, Michigan, was acquired by a local

hospital group. One of the results of this sale has been a time for reflection - a time when I look back at events that happened, sometimes with great clarity and sometimes with great confusion.

This evening, I share with you 15 years of personal reflections as good moves and bad moves (blunders:stupid mistakes). My hope is that you can find some wisdom, some food for thought in these lessons.

Good News#1. I managed difficult situations as compassionately (with love and care) and generously as possible. Even when members or team members probably did not deserve it, I tried not to let their bad behavior determine my behavior. My goal was to create a culture of caring about our members.

Bad Move#1. As part of an expansion "plan," we acquired Lakeshore Athletic Club (some 40 miles away) in Holland, Michigan and attempted to operate the same

way we did our home club. We did not do any market research - we 'assumed.' We did not understand that the community was much more conservative, that the beach was a strong attraction, that the club had a bad history and that the landlord was unethical. We lost over \$1 million in three years!

Good News #2. Living with risk can be difficult. Not everyone can live with risk-borrow money, meet payroll on a regular basis and know that the buck stops here. Reward, in my case at least, is directly associated with risk.

Bad Move #2. I did not spend enough time designing my company. I spent too much time working in my business and not enough time working on it -- designing mechanisms that would drive my company where I wanted to go. A key role in leadership is getting all the parts to work together.

Good News #3. I did use

a team focused approach. The better I treated my team, the better they treated our members. I hired a human resources manager to care for the team - to hire, train, evaluate and to handle benefits and payroll. The reward was what members frequently referred to as the "feel of the club"- they liked it.

Bad Move #3. I did not focus enough on growth. Growth is a necessary component of success. I was complacent - things were good, making money, we had enough. I slipped into a bad rut - something I observe at a number of the clubs I visit.

Good News #4. I have lived a balanced life - work, family, community. Balance is another key element of success. When I was about 30 years old I made a conscious decision to live a balanced life. "That includes going home at a decent time."

Bad Move #4. No focus, no plan to exit my business. Five

years ago I did not know what EBITDA was. I recommend a balance between a good long range plan and a strong EBITDA.

Good News #5. Vision - our vision was to become the best family club in America. I developed our vision early and kept it in front of my kids, family and staff of the club. They had a clear vision of where we were going.

Bad Move #5- Regretfully, I was too slow to clean house. You owe it to your business and to other employees to get rid of bad employees. Bad employees kill morale and reduce the ability to serve. It's tough to fire people - but, sometimes it's the best thing to do for them and for you.

Good News #6. Conduct business ethically. It gives me great pleasure to look back over 15 years in the club business and 30 plus years in management and feel good about how I earned my money."

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Excuse Me, Would You Like Some Milk?

By Nancy Clark

I hear the excuses every day: "I don't drink milk because..." "I don't like the taste (so I take a calcium pill instead)." "I'm watching my

weight; I don't want the calories." "I've heard milk is hard to digest and mucus-forming." "I seem to be a little lactose intolerant." "I like Coke and Pepsi better." Reasons abound why athletes don't drink milk. Some reasons are valid, some are ques-

tionable, and some are just irresponsible. The bottom line is, about 60-75% of the daily calcium intake in the American population comes from milk. Milk drinkers have a better quality diet than non-milk drinkers. And people who drink milk tend to have stronger bones. Hence, if you are among the many people who think milk is for kids, you may be missing

out on this very important mineral. Perhaps this article will help you choose to enhance your calcium intake (and that of your family and friends) for the long run.

Calcium: Important for active people of all ages

Calcium needs to be a part of everyone's health program:

kids, growing teens, adults, parents-as-role-models, seniors. Take note: Both adult women and men need a calcium-rich diet to help maintain strong bones and reduce the risk of osteoporosis. Men used to die before age 70, before osteoporosis became a problem. Many of today's baby boomers think 70 sounds young; they want (See Nancy Clark page 26)

CLUB INSIDER News 1999 Contributing Author Team

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...Bonnie Patrick

continued from page 10

Successful businesses beyond the year 2000.

Who will influence your organization in the next 10 years?

- 61% Team of Leaders
- 21% Undefined Configuration of Managers
- 7% One Leader
- 10% Other

Therefore, the organizational structure of the future may be flatter:

- No more than 5 layers from CEO to entry level
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- Decision making at the lowest level
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- More flexibility and creativity

The organization will be informal, non-hierarchical, yet multi-dimensional (more outsourcing, reporting to multiple bosses, etc). Teams will be decentralized, sometimes managed virtually by someone from afar.

Jack Welch has propelled

GE into huge profitable directions. There are three factors that he describes as the "only things that matter":

- Money - Is it where it needs to be, in both the expense and revenue sides?
- People - Do we have the right ones? How do we help them to get better?
- Ideas - Need to be transmitted at the speed of light. The timeline for developing a product to bringing it to the market has considerably shortened in today's technologically charged atmosphere.

This translates into Welch's equation on achieving positive results:

- Customer Service = Positive growth in market share
- Employee Satisfaction = Productivity
- Positive Cash Flow = It's all working

What Can Health Clubs Learn From Other Successful Industries?

It is said that we learn more from our failures than we do from our successes. But it's important to look at other successes outside of our industry and translate some of these concepts into our own businesses.

Look at yourself. What

is your message? What is your legacy? Who are your club's leaders? How do we and they encourage feedback?

How are our clubs organized? Is there one person making the calls or are people truly empowered and trained at all levels? How are we setting ourselves up now for success, positive growth and change? And as Anita Roddick says, "If you think you're too small to be effective, you've never been in bed with a mosquito!"

These are not easy questions to answer. Change and growth are a process, which we will continue to explore in this series of articles on Performance Learning and Organizational Development.

(Bonnie Patrick is the Director of Performance Learning and Leadership Training for The Fitness Company, and the 1998 recipient of the Club Industry/Life Fitness Distinguished Business Woman's Award for Industry Enhancement. A member of the American Society for Training and Development, she encourages your feedback on this information and specific topics to be covered in future articles. Please call Bonnie at (732) 548-0970 ext. 111.)

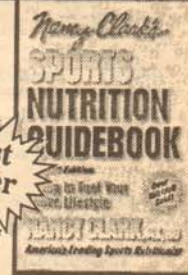
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By Jeff Randal

Our industry is a customer service industry. It is dependent upon labor. Payroll and payroll related costs are the largest expense item on our financial statements. The quality and caliber of our management staff and employees is the most important aspect of a successful operation (assuming location and product mix are good) Qualified and competent management exhibiting the highest levels of professionalism directly relates to a company's profits.

In other words your business is only as good as the people you hire.

Clubs can represent an investor's life savings. Most clubs are grossing between one and two million dollars annually. Many clubs are now in the three plus million dollar range. A lot of clubs represent the sole source of income for their owner(s). These facts place a huge responsibility on General Managers and their management teams to produce. Despite all this, many clubs and club organizations still do not exercise the care, time and efforts necessary to bring in the most qualified candidates possible to fill key level management positions.

Long gone are the days when an owner or General Manager need only place an ad in a local newspaper and then hire someone whose hours of availability fit a club's needs. Consumers are more sophisticated and demanding a higher level of professional service. Competition is more sophisticated and business-like. Club owners and investors are learning how to make more money and higher returns. As a result venture capital is now streaming into our industry helping to create growth and consolidation. These owners are demanding more from their key management and are willing and able to pay for it. They have the capability to pay key staff more up front to ensure a better return on investment over time.

As a result, in order to stay competitive in this environment of rapid growth with a finite pool of qualified senior level management,


clubs have to change their approach to hiring. It may be time to hire an executive search company to aid in the search process for upper level management.

Because of the relative immaturity of our industry, there has not been as much of a need for this type of service until now. During the past several years three to four new executive search companies, catering expressly to the health and fitness industry, have opened shop. These companies focus entirely on searching for key level management. Because of their unique focus these companies provide two major benefits: Time and Money

Time: Is your time most effectively spent on a position search? How much time can you afford to sift through resumes, meet with applicants who don't fit the picture or spin your wheels with reference checks? Search companies do the chasing while you do the choosing.

Money: What is the cost of a lost opportunity? What's the cost of hiring and training the wrong person for the wrong position (and then what do you do)? What is the cost of hiring someone because you couldn't find anyone else? What are the costs of maintaining and sanctioning incompetence?

Executive search companies work on a national basis. They receive resumes daily from candidates throughout the country. They also receive phone calls from contacts recommending candidates for various types of positions. Most days are spent on the phone searching for and qualifying candidates. Many top candidates may not be actively pursuing other jobs however would make a move if the opportunity was right. These candidates are not looking at the ads or on the web. They are, however, contacting search companies. Because of the emerging maturity of our industry and the increase in pay for upper level positions, top prospects from other industries are expressing an interest in ours. Again these candidates are much more apt to approach a search company first.




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Another benefit to using a search company is for reference checking. Richard Deems has written a great book called "Hiring - More than a Gut Feeling." He reiterates one phrase. "The best single predictor of future job performance is past job behavior." Because of an extensive nationwide network of contacts, search companies are able to qualify candidates based on a knowledge of a candidate's past relationship with employees, owners and fellow managers.

How the Process works: Interview the search company. Make sure you feel comfortable with the personality and the terms. The two most important terms are fees and guarantees. Most executive search firms in our industry work on a contingency fee basis. If you hire who they bring to the table, you pay. If you hire someone else you don't pay. The fees are generally between 18% and

25% of first year's base salary. These fees are 5% to 10% less than those charged by search companies working for other industries. As far as the guarantee goes, search companies vary, usually providing a guarantee between 30 and 90 days. If the candidate should leave or terminate within that timeframe the search company will find a replacement for free since the club paid the original fee for the initial search.

Once the terms are agreed upon, the search begins. It is important that you convey to the search company exactly what type of candidate you're looking for, the personality necessary to succeed in the job and your organization and the qualifications required. The search company will then search, conduct extensive reference checks, present resumes, arrange and coordinate interviews and if necessary, help structure and negotiate compensation packages.

The job of a search com-

pany is to find the best possible candidate to lead or help lead your organization to the greatest levels of customer service and profitability. How wise is it to entrust a three to four million dollar investment to less than the best -particularly in order to save some up-front hiring costs? Hiring a search company presents you with two scenarios. Either you get the best possible candidate through your own efforts or you get the best possible candidate through the efforts of an executive search company. Either way you've done whatever you can to make sure that your key level management are the ones to lead you onwards.

(Jeff Randall is a 20-year club industry veteran and former multiple club owner. Randall is President of JLR Associates, an Executive Search firm specializing in the health, racquet and sportsclub industry. Jeff may be reached at: (781) 431-0868.)

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...Nancy Clark

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to live as long as the body stays healthy. Milk can help!

Osteoporosis will eventually affect 40% of women and 20% of men. Efforts to prevent osteoporosis focus on ways to optimize bone density. This means, 1) maintaining strong muscles (via weight bearing exercise, including weight lifting), 2) maintaining a strong calcium intake, and 3) for women, maintaining adequate estrogen status. Low estrogen can lead to stress fractures (an early sign of weakened bones) in amenorrheic athletes and future osteoporosis in post-menopausal woman. Be sure to consult with your physician for personalized advice.

How much calcium do you need? The reference dietary intake for calcium is 1,300 milligrams per day for children (9-18 years), 1,000 mgs. for adults (19-

50 years), and 1,200 for >50 years. Given one 8-oz glass of milk (skim, lowfat, or whole) offers about 300 mgs. of calcium, 3 to 4 glasses of milk per day does the job of supplying adequate calcium (if milk is your main source of calcium). Because whole milk offers a significant amount of saturated fat (clogage that contributes to heart disease), lowfat and nonfat (skim) options are nutritionally preferable.

Many active people believe they have done their milk duty by having milk once per day—on their cereal. A few athletes target two milks per day, or perhaps a milk and a yogurt. But it's the rare athlete who actively chooses to chug milk instead of (diet) Pepsi or Coke. For example, among 32,000 Air Force recruits (i.e., active young men and women), a survey indicates 52% consumed less than one serving of milk per day, and only 18% reported three servings or more per day. (J Amer Diet Assoc July, '99)

Granted, milk is just one source of calcium; (lowfat) yogurt (400 mg/8 oz) and lowfat cheese (150 mg/oz) are viable dairy alternatives. Fullfat cheeses can also boost your calcium intake, but they contain saturated fat. Hence, be sure to carefully balance cheddar with crackers, swiss on a sandwich, and cream cheese on a bagel into an overall lowfat diet. Research suggests people who drink lowfat milk and limit obviously fatty foods (such as excessive cheese and greasy meats) are able to stay within the American Heart Association's recommended diet with <30% of the calories from fat, and <10% from saturated fat. (Am J Clin Nutr 67:616, 1998)

Calcium pills can also provide calcium, but a pill simply does not replace the vast array of nutrients found in whole foods. Food surveys suggest when people fail to get adequate calcium from dairy products, they rarely compensate by getting ad-

equate calcium from alternative foods such as dark green vegetables and almonds, and even calcium-fortified foods, such as orange juice, energy bars (read the label to determine if the product has added calcium), and soy products. But any calcium is better than no calcium...

No more excuses

If you dislike the taste of milk: flavor it with chocolate (extra carbs to refuel your muscles); add more milk to your coffee; choose lattes made with lowfat milk; eat flavored yogurt instead.

If you are lactose intolerant: buy lactose-free milk; use Lactaid drops with milk-containing meals; enjoy small servings of milk with meals; eat more yogurt or lowfat cheese, as tolerated.

Research indicates milk is not "mucus forming." If anything, the fat in whole milk might coat your throat; drink lowfat milk.

(If you, as an individual, swear that milk is mucus forming for your body, be sure to find other calcium sources.)

Milk is not "hard to digest." There is no reason to avoid milk before or after exercise. If anything, milk fat slows digestion, so choose lowfat milk.

Milk is not fattening. Research indicates milk drinkers are not fatter than milk avoiders.

If you prefer Coke and Pepsi, be responsible! Soft drinks are sugar water, nutritional zeros. Milk is life-sustaining and nutrient-rich. Stop cheating your body; drink milk with meals and enjoy soft drinks for a treat.

(Nancy Clark, MS, RD, nutrition counselor at Boston-area's SportsMedicine Brookline, is author of Nancy Clark's Sports Nutrition Guidebook, Second Edition (\$20), available by sending a check to Sports Nutrition Services, 830 Boylston St #205, Brookline MA 02467.)

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